

House File 2069

HOUSE FILE _____
BY SMITH

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to the maximum finance charge allowed and to
2 terms and conditions for consumer loans made for postsecondary
3 education purposes and making penalties applicable.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
5 TLSB 5104HH 82
6 kh/rj/8

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1 1 Section 1. Section 537.2401, subsection 1, Code Supplement
1 2 2007, is amended to read as follows:
1 3 1. Except as provided with respect to a finance charge for
1 4 loans pursuant to open-end credit under section 537.2402, and
1 5 loans secured by a certificate of title of a motor vehicle
1 6 under section 537.2403, and consumer loans for postsecondary
1 7 education purposes under section 573.2404, a lender may

1 8 contract for and receive a finance charge not exceeding the
1 9 maximum charge permitted by the laws of this state or of the
1 10 United States for similar lenders, and, in addition, with
1 11 respect to a consumer loan, a supervised financial
1 12 organization or a mortgage lender may contract for and receive
1 13 a finance charge, calculated according to the actuarial
1 14 method, not exceeding twenty-one percent per year on the
1 15 unpaid balance of the amount financed. Except as provided in
1 16 section 537.2403, this subsection does not prohibit a lender
1 17 from contracting for and receiving a finance charge exceeding
1 18 twenty-one percent per year on the unpaid balance of the
1 19 amount financed on consumer loans if authorized by other
1 20 provisions of the law.

1 21 Sec. 2. NEW SECTION. 537.2404 FINANCE CHARGE FOR
1 22 CONSUMER LOANS FOR POSTSECONDARY EDUCATION.

1 23 1. In making a consumer loan to an individual who is a
1 24 student or the parent or guardian of a student for purposes of
1 25 financing a postsecondary education, a creditor shall not
1 26 impose finance charges or other terms or conditions more
1 27 onerous than those extended contemporaneously to students,
1 28 parents, or guardians, as applicable, under the federally
1 29 guaranteed higher education loan programs administered by the
1 30 college student aid commission.

1 31 2. A consumer who is charged a finance charge in excess of
1 32 the limitation in this section may seek any remedies available
1 33 under section 537.5201 for an excess charge.

1 34 3. Notwithstanding section 537.1301, subsection 15,
1 35 paragraph "a", subparagraph (5), for purposes of this section,
2 1 a consumer loan includes a consumer loan in which the amount
2 2 financed is of any amount.

EXPLANATION

2 4 This bill amends the Iowa consumer credit code to provide
2 5 that creditors who make consumer loans, including supervised
2 6 loans, to students or parents or guardians of students for
2 7 postsecondary education purposes cannot impose finance charges
2 8 or other terms or conditions more onerous than those extended
2 9 to students or parents or guardians under the federally
2 10 guaranteed higher education loan programs administered by the
2 11 college student aid commission.

2 12 Consumer loans regulated under the Code are limited to
2 13 loans of not more than \$25,000. The bill exempts loans made
2 14 to students, parents, or guardians for postsecondary education
2 15 purposes from this limitation, making the bill's provisions
2 16 applicable to such loans of any amount.

2 17 Under Code section 537.5201(3), a consumer is not obligated
2 18 to pay an excess charge and is entitled to a refund of any
2 19 excess charge paid. If a consumer entitled to a refund is

2 20 refused the refund, the consumer may recover from the creditor
2 21 or other person liable in a civil action the excess charge and
2 22 a penalty of not less than \$100 or more than \$1,000.
2 23 LSB 5104HH 82
2 24 kh/rj/8